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SUBJECT: SOUTH AMERICAN SUMMIT: NOT MUCH ADO ABOUT NOT MUCH

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**¶11.** (SBU) Summary: The first summit meeting of the Community of South American Nations (CASA) provided a forum for Venezuelan President Chavez to blast the United States and call into question CASA's very nature, as well as for Brazilian President Lula to criticize his Argentine counterpart, but yielded little in the way of concrete steps forward for South American integration. The only substantive progress on integration occurred on the eve of the summit, with the signing of two petroleum cooperation agreements -- one between Venezuela and Brazil and the other between Venezuela and Argentina. The lack of a concrete timetable for progress, or for interim benchmarks, caused Chavez to initially refuse to sign the (over-long and under-focused) summit declaration and plan of action, and he relented only when President Lula promised to directly address Chavez's concerns within the next 90 days. While the summit formalized the structure of CASA and called for the gradual development of a free-trade zone in South America, the absence of five heads of state -- (Colombia, Uruguay, Suriname, Guyana and Argentina) -- including two of Brazil's Mercosul partners, indicated a less than enthusiastic embrace of yet another Brazilian effort to exercise leadership of the continent. Brazilian press coverage reflected a comparable lack of domestic enthusiasm, largely mirroring the story deep in their editions. End Summary.

**¶12.** (SBU) The September 29-30 Summit of the Community of South American Nations (CASA) succeeded in formalizing the institution and adopted a declaration and plan of action urging an acceleration of the physical, economic, energy, transportation, financial and social integration of the continent, including the call for states to contemplate the gradual establishment of a free trade zone. But the only concrete steps toward integration occurred on the margins of the conference, specifically the agreement between Brazil's Petrobras and Venezuela's PDVSA to build a \$2.5 billion oil refinery in northeast Brazil (Ref B), and PDVSA's agreement to purchase an existing refinery in Argentina with an eye toward amplifying the refinery's production to supply gas stations that PDVSA intends to buy in Argentina and Uruguay.

**¶13.** (U) The Venezuelan/Brazilian refinery, expected to process 200 million barrels of oil per day when it is completed in 2011, will process both Brazilian and Venezuelan heavy crude, producing both diesel fuel and liquefied petroleum gas, and would decrease PDVSA's dependence on U.S. refineries that specialize in heavy crude. Brazil and Venezuela are also considering the construction of a natural gas pipeline that would stretch from Venezuela to Argentina.

**¶14.** (U) By virtue of the above agreements, Venezuelan President Chavez grabbed most of the press attention in the lead-up to the Summit (Ref A), including the encomiums heaped upon him during the signing ceremony by President Lula, who called Chavez the first head of state to use Venezuelan oil revenues to help the people of Venezuela, and said, "I don't know if Latin America has ever had a president who has put the democratic experience into practice like in Venezuela. A president who wins elections, drafts a Constitution and proposes a referendum in relation to his own person, holds the referendum and wins again. Nobody can accuse that country of not having democracy. You could even say that it has it in excess."

**¶15.** (U) For his part, Chavez called the accord between the two oil companies a gesture against the "seven-league giant" -- a new appellation that Chavez has borrowed from the texts of Jose Marti to apply to the United States. He also labeled a major Brazilian daily a lackey of the U.S. for citing UN figures showing poverty has expanded in Venezuela during Chavez's time in power.

**¶16.** (SBU) Chavez then dominated the summit as well, both via a 50-minute tirade in which he railed against the United States, the lack of formal structure within CASA itself, the lack of inherent worth of summit meetings, and then by refusing to sign the summit's declaration. He cited the absence of a concrete Program of Action, with specific goals and timetables, as his reason for declining to join consensus on the issue, saying that at this rate CASA wouldn't accomplish anything before the year 2200.

17. (SBU) Lula, who had been so effusive in his praise of his neighbor the day before, reportedly expressed extreme frustration with him during the summit, insisting that the declaration had never been intended as a detailed roadmap, but rather as a general statement of principles that would lay the groundwork for more concrete steps later on. Nevertheless, President Lula obtained Chavez's endorsement of the declaration only by promising to use his status as President Pro Tem of CASA to press for the adoption of a concrete plan of action within 90 days. The plan would then be presented at the coming Mercosul summit, to which members of the Community of Andean Nations have been invited.

18. (SBU) The other headlines were garnered by Argentine President Kirchner, who attended only the dinner on the evening of the 29th, after concluding the refinery agreement with Chavez (which some local dailies said was the only reason Kirchner showed up at all), and then left the next morning, one-half hour before the opening ceremony. President Lula took the opportunity to chastise his counterpart, complaining that the early departures of heads-of-state from such gatherings prevented the full consideration of important issues. Other Brazilian officials, however, noted that Kirchner had important electoral business to attend to and said his absence from the forum was not a serious matter.

19. (U) It was left to the Argentine ambassador to deny reports that Kirchner left so as not to have to engage his political rival, Argentine ex-president and current Argentine Mercosur representative Eduardo Duhalde, whose wife is running against Kirchner's for a senate seat. For his part, Lula made a special effort to praise Duhalde's work in Mercosur as well as praising his contributions to Argentina, while saying leaders should not let electoral schedules keep them from fully participating in important international efforts at integration.

10. (SBU) Comment: Whatever his ultimate motives for resisting the documents, Chavez's evaluation of the declaration and associated Plan of Action and Priority Agenda was on the mark. Aside from formulating the organizational framework of CASA, nearly all of the items were hortatory in nature and general to the point of vagueness. The absence of not only Kirchner, but of Uruguayan President Vasquez, currently the President Pro Tem of Mercosul, and the heads of state of Suriname, Colombia and Guyana, revealed a distinct lack of enthusiasm for yet another Brazilian attempt to exercise leadership of South America. Brazilian press coverage of the summit revealed a similar lack of enthusiasm.

There was almost no reporting of the summit beforehand, and what little there was focused on the question of whether Kirchner and others would actually attend. Most of the resulting articles focused on Chavez's domination of the stage and on Kirchner's early departure. The "Jornal do Brasil" applauded the summit as one more step along the road to integration, but most coverage dealt almost exclusively with the sideshows. Even that coverage was overshadowed by the continuing domestic maneuverings associated with the ongoing political scandals, jockeying for next year's elections, and an incipient scandal concerning football referees. As with May's South America-Middle East summit, it appears that Brazil and President Lula gained less than they had hoped from this confab.

11. (SBU) Foreign Ministry officials have not yet responded to Embassy requests for a readout of the summit. The summit declarations, plan of action and priority agenda can be found on the ministry's website: [www.mre.gov.br/portugues/imprensa/nota\\_detalhe.asp?ID=RELEASE=3278](http://www.mre.gov.br/portugues/imprensa/nota_detalhe.asp?ID=RELEASE=3278).

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